

Fast Facts about California-Mexico Trade Relations

Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy
Jose Medina, Chair

Mexico is the largest market for exports of California-made goods and has been California's main trading partner since 1999.¹ California ranks third (behind Texas and Michigan, respectively) amongst U.S. importer states of Mexican goods, accounting for almost 12% of all Mexican imports.²

California and Mexico Relations

- According to the 2010 U.S. Census, California's population is 37.3 million as compared to Mexico's population of 113 million with an estimated annual population growth of 1.1%.³
- If Los Angeles were in Mexico, its five million Mexican residents would make it the fourth biggest city in the country (after Mexico City, Guadalajara and Monterey),⁴
- 40% of the population in Southern California, between Los Angeles and the Mexican border, speak Spanish.⁵
- California is one fourth the size of Mexico with 11 million California residents being of Mexican descent.⁶

California - Mexico Economies

- In 2012, California's total gross state product was \$2 trillion.⁷ Mexico's gross domestic product in 2010 was \$1.04 trillion.⁸
- Mexican exports to the U.S. account for one fourth of Mexico's gross domestic product. As a result, Mexico's economy is strongly linked to the U.S. business cycle.⁹
- The relationship between Mexico and California generates over \$26 billion per year for California.¹⁰

Mexican Trade Policy and Free Trade Agreements

- The 17 countries that have a free trade agreement (FTA) in force with the U.S. make up 9% of the World GDP and represents 41% of U.S. exports. Exports to FTA countries grew at a faster rate (23% annually) than exports to the rest of the world (25%) from 2009 to 2010.¹¹
- Mexico is the country with the largest network of FTAs in the world, including 44 countries, on three different continents, which provide preferential access to a potential market of more than 113 million consumers.¹² Currently, more than 90% of Mexico's trade occurs under free trade agreements.
- Mexican trade with the U.S. and Canada has tripled since the implementation of NAFTA in 1994.¹³

California and World Markets

- In 2012, California's GDP totaled \$2 trillion.⁴
- California exported \$162 billion in products in 2012. This is up from 2011 (\$159 billion).⁵
- California's largest export market is Mexico, where the value of exports totaled \$26 billion in 2012. After Mexico, California's top export markets in 2012 were: Canada (\$17.3 billion); China (\$14 billion); Japan (\$13 billion); South Korea (\$8.2 billion); Hong Kong (\$7.8 billion); Taiwan (\$6.3 billion); Germany (\$5 billion); Netherlands (\$4.6 billion); and the United Kingdom (\$4.3 billion).⁶
- California's top five exports in 2012 were: Computer & Electronic Products (\$44.6 billion); Transportation Equipment (\$16 billion); Machinery, Except Electrical (\$14.9 billion); Miscellaneous Manufactured Commodities (\$13.9 billion); and Chemicals (\$12.8 billion).⁷
- California exported \$26 billion in products to Mexico in 2012. The top five exports to Mexico were: Computer and Electronic Products (\$8.3 billion); Transportation Equipment (\$2.4 billion); Machinery, except Electrical

- (\$2 billion); Petroleum and Coal Products (\$1.8 billion); and Chemicals (\$1.5 billion).⁸
- California's second largest export market is Canada, with exports totaling \$17.3 billion in 2012. The top five exports to Canada were: Computer & Electronic Products (\$5.4 billion); Agricultural Products (\$2.4 billion); Food Manufactures (\$1.2 billion); Transportation Equipment (\$975 million); and Machinery, Except Electrical (\$939 million).⁹
- In 2012, California exported \$14 billion in products to China. The top five exports to China were: Computer and Electronic Products (\$3.9 billion); Waste and Scrap (\$2.4 billion); Machinery, except Electrical (\$1.4 billion); Transportation and Equipment (\$1.39 billion); and Agricultural Products (\$1.1 billion).¹⁰
- In 2012, California imported \$376 billion in products. California's top five imports in 2012 were: Computer and Electronic Products (\$112 billion); Transportation Equipment (\$60 billion); Oil & Gas (\$32 billion); Miscellaneous Manufactured Commodities (\$19.4 billion); and Apparel Manufacturing Products (\$18.8 billion).¹¹
- China is the largest source of imports into California. The 2012 value of Chinese imports was \$128 billion. China is followed by Japan (\$41.5 billion); Mexico (\$36 billion); Canada (\$25.8 billion); and South Korea (\$12.3 billion). Other major sources of import into California include: Germany (\$12 billion); Taiwan (\$11.2 billion); Malaysia (\$10 billion); and Saudi Arabia (\$8.5 billion).¹²

Job Creation

- Export-supported jobs account for an estimated 5.1% of California's total private-sector employment.¹⁴
- Nearly one quarter (22.4%) of all California manufacturing workers are dependent on exports for their employment.¹⁵
- Approximately 177,000 California jobs (17% of all export-supported jobs in California) are related to the commercial relationship with Mexico. More than half of these jobs are a result of export growth under NAFTA.¹⁶
- Commerce, tourism, and foreign direct investment from Mexico support more than 200,000 jobs in California (1.5% of the total number of payroll jobs in California).¹⁷

California Exports to Mexico

- California exported \$26 billion worth of goods to Mexico in 2012, accounting for 16% of California's overall goods exports.¹⁸
- California is the second largest exporter to Mexico amongst the 50 U.S. states (behind Texas).¹⁹
- Computers and electronic products have been California's highest single export to Mexico since 2000. However, as Mexico's economy diversifies, exports of machinery and transportation equipment have grown exponentially.²⁰

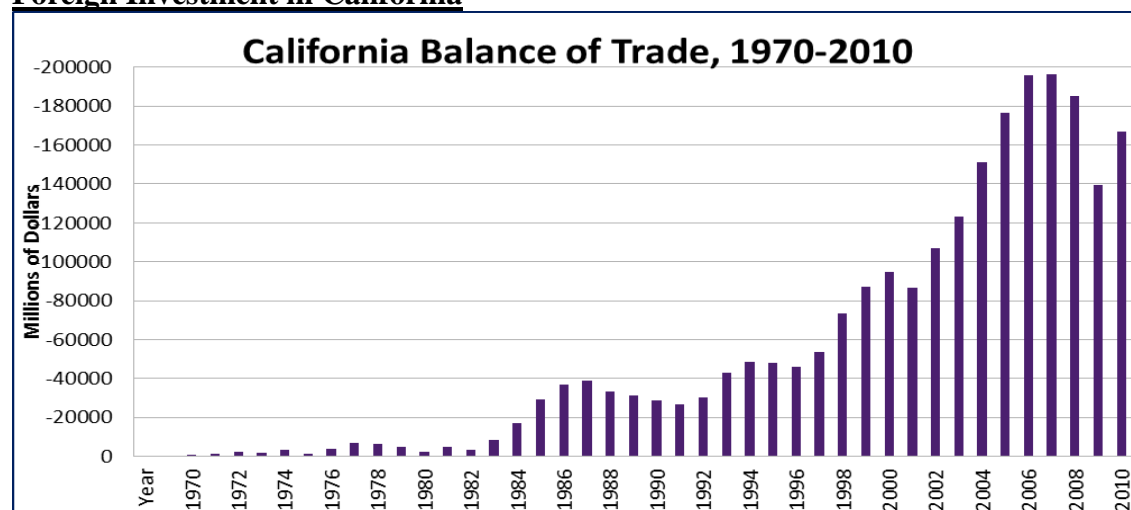
Goods Movement between California and Mexico

- California has four major international border crossings supporting the movement of both persons and goods: San Ysidro, Otay Mesa, Tecate, and Calexico. Of these, San Ysidro handles the lightest volume, while Otay Mesa and Calexico accommodate the largest volume. Otay Mesa is the largest California crossing, ranking sixth in the nation.
- In 2011, California two-way trade with Mexico amounted to \$59.6 billion in merchandise.²¹
- Most of the California-Mexico trade is two-way within the same commodity class, suggesting extensive production sharing. Components made in California are assembled or further processed in Mexico, and shipped back to California. Top commodities for this type of trade include: machinery, vehicles, instruments, and electronics and electronic equipment.²²
- Border crossing delays between the California-Mexico border accounted for an estimated output loss of \$3.9 billion and a 30,000 national job loss due to reduced output in 2008. In California, losses were estimated at \$3.2

billion and a 25,000 job loss.²³ Output losses to the San Diego and Imperial County economies are estimated at \$2.5 billion and 23,000 lost jobs.²⁴

- Research shows that if border delays continue to grow, economic losses will continue to increase significantly by 2017. It is estimated that total economic impacts to San Diego County would increase by 45%, reaching a \$2.53 billion total output loss and more than 24,000 jobs would be lost. The output loss in Imperial County is estimated to increase by 44% with total output loss reaching \$378 million and 4,638 jobs would be lost. Statewide, the total output loss is expected to double while job loss is expected to increase by 10%.²⁵
- Both U.S. and Mexican firms with significant business passing through the three Imperial Valley ports of entry, report that their logistics-supply chain is highly time sensitive. Long wait times at border crossings result in delays in receiving intermediary goods and ultimately lead in to problems in the manufacturing chain.²⁶

Foreign Investment in California



- U.S. majority-owned affiliates of foreign corporations owned \$11.7 trillion in U.S. assets and had \$3.5 trillion in annual sales in 2008. U.S. affiliates of foreign multinationals contributed 11.3% of total U.S. private investment and 14.3% of total private R&D.²⁷
- U.S. affiliates of multinational companies are typically high-productivity firms that are major private sector contributors to national efforts to innovate and build, according to the President's Council on Economic Advisors.²⁸
- Foreign-controlled companies employed 567,000 Californians in 2010, more than any other state. Foreign investment was responsible for 4.7% of the state's total private-industry employment that year.²⁹
- In terms of employment, Japan was the greatest source of FDI in 2009, employing 107,400 Californians. Japan was followed by the UK (81,000), Switzerland (61,300), France (58,800), Germany (56,400), Canada (37,300), and the Netherlands (23,900).³⁰
- While California remains the largest recipient of FDI in the United States, faster FDI growth is occurring elsewhere, according to the Kyser Center for Economic Research. From 1999 to 2005 the level of gross property, plant, and equipment of all non-bank affiliates in California grew by 10.7%, compared to 20.6% nationally, 95.9% in Colorado, 50.0% in Kentucky, 46.2% in Massachusetts, and 26.7% in New York.³¹

- ¹ "The Economic Impact of the Mexico-California Relationship"; The Tomas Rivera Policy Institute, September 2005 – <http://www.ime.gob.mx/ime2/aportaciones/california.pdf>; accessed 8-20-11
- ² "World Fact Book: Mexico, United States Central Intelligence Agency, <https://www.cia.gov/library/publications/the-world-factbook/index.html> – accessed 8-20-11
- ³ California Department of Finance, Demographic Research Unit <http://www.dof.ca.gov/HTML/DEMOGRAP/SF%201/RaceCA.pdf>
- ⁴ Baja Border a "Fronteriza" Culture and Marketplace http://www.mexicomatters.net/businessmexico/05_fronterizacultureandmarketplace.php – accessed 8-29-2011
- ⁵ Baja Border a "Fronteriza" Culture and Marketplace http://www.mexicomatters.net/businessmexico/05_fronterizacultureandmarketplace.php – accessed 8-29-2011
- ⁶ "U.S. Census" http://www.census.gov/newsroom/releases/archives/facts_for_features_special_editions/cb09-ff08.html; – accessed 8-30-11
- ⁷ Bureau of Economic Analysis, Gross State Product, www.bea.gov/bea/regional/gsp/ – accessed 8-29-2011
- ⁸ http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/documents/BBRANK.XLS; California Department of Finance, 11/18/10, accessed 8-29-2011
- ⁹ "Background Note: Mexico", Bureau of Western Hemisphere Affairs, United States Department of State, <http://www.state.gov/r/pa/ei/bgn/35749.htm>; – accessed 8-29-2011
- ¹⁰ <http://www.trade.gov/mas/ian/statereports/states/ca.pdf> California: Exports, Jobs, and Foreign Investment, June 2012; accessed July 9, 2012
- ¹¹ "ITA Free Trade Agreements <http://www.trade.gov/fta/index.asp>; accessed 7/24/11
- ¹² "Agreements and Negotiations", Embassy of Mexico in Canada; <http://www.embamexcan.com/ECONOMY/internationaltrade.shtml>
- ¹³ World Fact Book: Mexico, United States Central Intelligence Agency, <https://www.cia.gov/library/publications/the-world-factbook/index.html> – accessed 8-20-11
- ¹⁴ <http://www.trade.gov/mas/ian/statereports/states/ca.pdf> California: Exports, Jobs, and Foreign Investment, June 2012; accessed July 9, 2012
- ¹⁵ <http://www.trade.gov/mas/ian/statereports/states/ca.pdf> California: Exports, Jobs, and Foreign Investment, June 2012; accessed July 9, 2012
- ¹⁶ "The Economic Impact of the Mexico-California Relationship"; The Tomas Rivera Policy Institute, September 2005 – <http://www.ime.gob.mx/ime2/aportaciones/california.pdf>; accessed July 10, 2012
- ¹⁷ "The Economic Impact of the Mexico-California Relationship"; The Tomas Rivera Policy Institute, September 2005 – <http://www.ime.gob.mx/ime2/aportaciones/california.pdf>; accessed July 10, 2012
- ¹⁸ "California: Exports, Jobs, and Foreign Investment", Office of Trade and Industry Information, International Trade Administration, U.S. Department of Commerce, August 2013. <http://www.trade.gov/mas/ian/statereports/states/ca.pdf> accessed December 6, 2013
- ¹⁹ "The Economic Impact of the Mexico-California Relationship"; The Tomas Rivera Policy Institute, <http://www.ime.gob.mx/ime2/aportaciones/california.pdf> accessed July 10, 2012
- ²⁰ "State Export Data", Trade Stats Express; <http://tse.export.gov/>; accessed 8-29-2011
- ²¹ Imports: <http://www.census.gov/foreign-trade/statistics/state/data/imports/ca.html> Exports: <http://www.census.gov/foreign-trade/statistics/state/data/ca.html> Imports and Exports via California; accessed July 10, 2012
- ²² "The Emerging Integration of the California-Mexico Economies"; Public Policy Institute of California, August 2004 – http://www.ppic.org/content/pubs/report/R_804HSR.pdf; accessed 8-29-2011
- ²³ http://www.dot.ca.gov/dist11/departments/planning/pdfs/systplan/ImpactsOfBorderDelayFinalReport_January2010.pdf; HDR Decision Economics, "Economic Impacts of Wait Times At The California-Mexico Border 2009 Update," accessed April 25, 2013
- ²⁴ http://www.dot.ca.gov/dist11/departments/planning/pdfs/systplan/ImpactsOfBorderDelayFinalReport_January2010.pdf; HDR Decision Economics, "Economic Impacts of Wait Times At The California-Mexico Border 2009 Update," accessed April 25, 2013
- ²⁵ http://www.dot.ca.gov/dist11/departments/planning/pdfs/systplan/ImpactsOfBorderDelayFinalReport_January2010.pdf; HDR Decision Economics, "Economic Impacts of Wait Times At The California-Mexico Border 2009 Update," accessed April 25, 2013
- ²⁶ <http://www.co.imperial.ca.us/IVAG/ProjectBriefs/IVAG%20Final%20Report.pdf>; Imperial Valley – Mexicali Economic Delay Study; November 2007, accessed 8/1/2011
- Prepared on August 29, 2011
- ²⁷ http://www.whitehouse.gov/sites/default/files/microsites/cea_fdi_report.pdf U.S. Inbound Foreign Direct Investment, June 2011; accessed July 9, 2012
- ²⁸ http://www.whitehouse.gov/sites/default/files/microsites/cea_fdi_report.pdf; U.S. Inbound Foreign Direct Investment; June 2011; accessed 8/8/2011
- ²⁹ <http://www.trade.gov/mas/ian/statereports/states/ca.pdf> California: Exports, Jobs, and Foreign Investment, August 2013; accessed December 6, 2013
- ³⁰ http://www.bea.gov/international/xls/mousa_all_employ_state_ctry.xls; Employment of Majority-Owned U.S. Affiliates, State; accessed July 9, 2012
- ³¹ <http://www.laedic.org/reports/FDI-2009.pdf>; Foreign Direct Investment in Los Angeles County; May 2009; accessed July 5, 2012